

ICT sector funding options

Despite the current economic and political uncertainty the ICT sector continues to thrive and is seen as a relatively safe haven for financial institutions looking to deploy capital, writes **Knight Corporate Finance Directors Paul Billingham and Adam Zoldan**. This means that for those businesses seeking funding, options have never been greater.

Banks, both traditional and the new breed of challenger banks, have finally realised that while ICT resellers in particular are 'asset lite', they have valuable intangible assets (contracted recurring revenues) to lend against. This means that ICT resellers can borrow cheaply without dilution up to a certain level (usually c2 x EBITDA) without having to dilute shareholders.

Mezzanine debt providers allow ICT resellers to borrow a higher multiple in return for a small equity



Adam Zoldan

'kicker' and a higher interest rate. These mezzanine providers probably offer the most interesting options for ICT resellers looking to raise funds but they are less mainstream than banks or private equity and hence can be very selective.

Private equity has been the largest source of funds to the sector over



Paul Billingham

the last five years and we see no sign of this abating. Private equity offers ICT resellers far more scope in terms of use of funds and higher levels of investment, in return for equity and a more involved interest in the business. Private equity sees the long-term value in the sector and recognises the opportunity to complement organic growth with M&A, and

are prepared to back management teams with significant investment.

What's available to your ICT business? This will depend on a range of different factors, including how you plan to use the funds that you access, the size of your business over all, and the level of equity and control that you are willing to concede. In all circumstances, preparation is key. Having a detailed business plan and up to date and detailed financial information is crucial when talking to institutional funders. It is worth investing time at the front end of the process to make a good impression and ensure for an efficient and effective process.

The funding environment is extremely positive for ICT businesses at the current time, and if you want to understand more about the available options talk to an advisor such as Knight Corporate Finance. ■



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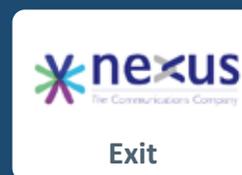
Funding



Funding



Exit



Exit



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Exit



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